



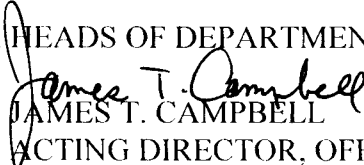
## Department of Energy

Washington, DC 20585

May 30, 2003

MEMORANDUM FOR HEADS OF DEPARTMENTAL ELEMENTS

FROM:

  
JAMES T. CAMPBELL  
ACTING DIRECTOR, OFFICE OF MANAGEMENT, BUDGET  
AND EVALUATION/ACTING CHIEF FINANCIAL OFFICER

SUBJECT: FY 2002 Support Cost by Functional Activity Report

Attached is the Department's FY 2002 Support Cost by Functional Activity Report. This report identifies and analyzes, over a 5-year period, support cost reported by the Department's 30 largest operating contractors. These costs represent the contractors' cost of supporting direct mission activities conducted at our major sites. We are providing this information based on earlier agreements between our offices, to assist in oversight of contractor operations and to assist in understanding the cost of supporting mission activities. This report has been requested by, and provided to, the House Energy and Water Development Appropriations Subcommittee.

I am pleased that we have been successful in decreasing the amount of our budget expended on support activities. The percentage of support costs to total costs declined from 41 percent in FY 1998 to 39.4 percent in FY 2002. This results in increasing amounts available for direct mission activities by approximately \$272 million. Also included, for the first time, is additional data regarding individual contractor initiatives to reduce support cost. I have included this data in response to General Accounting Office (GAO) Report, GAO-02-1000, "Contractor Management, Opportunities To Reduce Support Costs." The report found that contractors and DOE site offices were working hard individually to reduce support cost through cost savings initiatives but that these initiatives had the potential for adaptation at more than one site. The report recommended that the Department promote these initiatives across all sites. I have included data on individual site efforts in each Site Profile. The report also highlights seven initiatives identified as having a high potential for application across sites. I encourage you to carefully consider the initiatives included in the report and apply as appropriate at your sites.

The report is available on the Office of Management, Budget and Evaluation Home Page ([www.mbe.doe.gov](http://www.mbe.doe.gov)) or the data and detailed analysis can be accessed from the Support Cost by Functional Activity Web Page <https://scfa.doe.gov>.

If you have any questions or comments, or if we can assist in your continued efforts toward managing the Department's support costs, please contact John Newell, Director, Office of Program Liaison and Financial Analysis at (301) 903-2551.

Attachment



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